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FIDELITY MORTGAGE & SAVINGS CORPORATION



ANNUAL REPORT 1965



MAY 24 1967



REPORT TO THE SHAREHOLDERS

In this report, and in the financial statements submitted herewith, we have endeavoured to provide sufficient information to enable Fidelity's shareholders and others who may be interested in Fidelity, to properly assess Fidelity, including the calibre of its assets, obligations, operations, and management and its future.

Results of Operations

The year 1965 marked Fidelity's second complete year of operations. For Fidelity, it was another year of development, growth and progress. Results for the year are generally in accordance with our budget and expectations. After deducting all normal expenses and costs, the results of operations for the year show a net loss of \$26,109. Special expenses were incurred which are directly related to the opening of two branch offices and enlarging our Executive Offices to include a Savings Office, and the total sum of \$30,000 was allocated for these expenses. This sum was not included as an item of normal operating expense and was deducted from surplus.

Fidelity's total assets at 31st December 1965 amounted to \$8,185,621 which represents a 60% increase for the year. Of these assets, at year end Fidelity had approximately \$1.9 million in Government of Canada, Provincial Government and Canadian Municipal bonds, loans fully secured by Government of Canada bonds and cash, and approximately \$5.6 million in its mortgage portfolio. You will also note that Fidelity is administering assets to a value of approximately \$590,000 under agencies on behalf of other persons.

Offices Opened in Brantford and Burlington and a Savings Office in downtown Hamilton

In May, Fidelity opened two additional offices, one in Brantford and the other in Burlington. We are well satisfied with the results of their operations to date and we feel that our choices were wise. In November, our Executive Offices in Hamilton were enlarged to include a Savings Office. Each of these offices should soon become permanent contributors to the success and profits of Fidelity.

Fidelity's Mortgage Portfolio

In July, faced with a growing tightness of available funds, rising interest rates and a generally unsettled financial climate, it was decided to dispose of a portion of Fidelity's mortgage portfolio in order to meet forward mortgage commitments and to reduce bank borrowings. Accordingly, \$1.5 million of 7% mortgages were sold for delivery in July, August and September at prices averaging somewhat in excess of par, which speaks very highly of the calibre of Fidelity's mortgage portfolio. All forward mortgage commitments were met as they came due and all banking indebtedness was eventually retired. In addition, new first mortgage loans were committed and made during the final six months of the year at rates of interest averaging approximately 7.5% and at year end Fidelity's mortgage portfolio showed a net increase for the year of approximately 38%. Forward mortgage commitments at year end stood at approximately \$200,000.

On 31st December 1965 Fidelity's mortgage portfolio consisted of approximately 550 first mortgages having an average principal amount of approximately \$10,100 with an average yield of 7.16% (31st December 1964 — 7.1%). A percentage breakdown



of the portfolio with respect to the class of security and aggregate loan amounts is as follows:

Single Family Dwellings	90.5%
Multiple Dwellings	5.5%
Commercial and Industrial	4 %
	100 %

At year end all 1965 taxes had been paid in respect of all properties covered by Fidelity's mortgage portfolio and credits were held in respect of 1966 taxes for substantially all of such properties. At the date of this report there is only one mortgage in respect of which the monthly mortgage payment for December has not been received. In the result, we feel it is fair to say that Fidelity's mortgage portfolio is conservative and first class and is being well administered.

Debentures and Deposits

Deposits by the public increased during the year by approximately 64% to \$3.9 million and the amount of Fidelity's outstanding debentures increased by approximately 175% to \$1.7 million.

Despite the general uneasiness and concern felt by the public following the Atlantic Acceptance failure and the financial difficulties encountered by British Mortgage and Trust in the months of June and July, it is gratifying to be able to report that during the final six months of 1965 the total amount of funds on deposit with Fidelity in savings and chequing accounts increased by 93% and the amount of Fidelity's outstanding debentures increased by 53%.

It now appears that the public realizes that the unfortunate Atlantic Acceptance failure and British Mortgage and Trust financial problems were exceptions to the general rule and that they have not affected the general confidence which the public has in the integrity of well-managed Canadian financial institutions.

Fidelity's Investment Policy

Fidelity's investment policy from the date of its inception to and including this date and for the future has been and will be conservative. Fidelity has never owned an investment other than first mortgages, Government of Canada, Provincial Government and Canadian Municipal bonds, bonds guaranteed by Canadian or Provincial Governments, deposits with chartered banks and cash. Except for first mortgage loans duly secured against improved real property, Fidelity has never made any loan to anyone unless such loan was fully secured by Canadian Government bonds or their equivalent. Fidelity is required by law to maintain as a statutory reserve, not less than 20% of its deposits in Canadian Government bonds or their equivalent, and cash. Fidelity's normal policy has been to maintain its statutory reserve at from 25% to 40%. At year end this reserve was 48% and at the date of this report it stands at 46%.

This conservative investment policy produces from time to time slightly lower than average yields from some of Fidelity's investments, but your Directors are of the unanimous opinion that any corporation which is given the privilege, subject to adequate Federal and/or Provincial Supervision under the law, to accept deposits from the public, should have a policy providing for the conservative investment of its funds so as to maintain the respect and confidence of its customers and the public in general. We feel that Fidelity has accomplished this result to date.



Outlook and Plans for 1966

The history of federally incorporated loan companies operating under the Loan Companies Act of Canada is one of financial success based upon integrity, conservatism and public respect and confidence. Loan companies, such as Fidelity, have operated successfully in Canada since prior to Confederation. At the present time they operate under the careful supervision of the Superintendent of Insurance of Canada, and the licenses issued to them by the Minister of Finance of Canada authorizing their operations are subject to renewal from year to year. The history of their business operations to date has been without public criticism.

Whatever might be the final revisions to the Bank Act and the other legislative changes affecting the financial community of Canada, we feel sure that they will be, not such as to curtail, but rather such as to expand the scope of the operations of federally incorporated loan companies, and this cannot be other than beneficial to Fidelity.

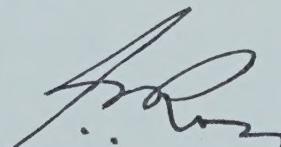
The financial requirements of the unprecedented expansion of the Canadian economy during 1965, coupled with the so-called voluntary repatriation of funds from Canada by United States investors, and by United States corporate parents from their Canadian subsidiaries at the request of their Government, in order to meet the financial requirements of their own booming civilian economy and the increasing cost of their military operations, created unusually heavy strains on available funds in Canada. It appears that this condition will remain and possibly intensify during most of 1966 and should result in a continuing general tightness in the availability of funds and rising interest rates.

Notwithstanding these conditions, we believe that Fidelity's growth in 1966 will continue but possibly on a more moderate scale than in the past year. Our efforts in 1966 will be concentrated on the further development of existing branches with particular reference to increasing the number of Fidelity's personal savings and chequing accounts and increasing the sales of Fidelity's debentures to the public on a retail basis. With this in mind a Manager, Debenture Sales, has been appointed with the responsibility for developing and widening our debenture sales market. Steps are also being taken to develop a more extensive use by the public of the other facilities and services which Fidelity provides.

Given a reasonably favourable and settled financial climate, Fidelity should attain a position of profit in 1966, its third complete year of operations.

In conclusion, I should like to again publicly acknowledge the tireless, faithful and capable assistance and effort so cheerfully contributed by all employees of the Company during the past year.

Yours faithfully,



Sam Foster Ross,
President.

On behalf of the Board
27th January 1966



FIDELITY MORTGAGE A

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BALANCE SHEET

ASSETS	1965	1964
Cash and deposits with chartered banks	\$621,583	\$213,196
Bonds at cost:		
of or guaranteed by the Government of Canada		
of or guaranteed by the Provinces of Canada		
of Canadian Municipalities		
(market: 1965 — \$601,847; 1964 — \$708,560)	607,764	706,894
Loans fully secured by Government of Canada bonds	660,048	150,227
	<hr/>	<hr/>
\$1,889,395	\$1,070,317	
Mortgages	5,598,333	4,054,169
Prepaid and other	6,317	1,494
Fixed assets—at cost, less depreciation and amortization	102,347	13,161
	<hr/>	<hr/>
	\$7,596,392	\$5,139,141
AGENCIES	\$ 589,229	—
	<hr/>	<hr/>
	\$8,185,621	\$5,139,141
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We hereby certify that we have examined the financial statement of the Corporation and that to the best of our knowledge and belief such statement is correct and shows truly and clearly the financial condition of the Corporation's affairs.

S. F. Ross President
F. W. BAILLIE Treasurer
H. S. HENDRIE Secretary } Directors

SAVINGS CORPORATION

the Parliament of Canada)

DECEMBER 31, 1965



LIABILITIES

TO THE PUBLIC:

Deposits and accrued interest	
Debentures and accrued interest	
Sundry Accounts	

1965	1964
\$3,932,982	\$2,512,515
1,689,091	606,484
17,255	6,969
<hr/>	<hr/>
\$5,639,328	\$3,125,968

TO THE SHAREHOLDERS:

Capital:—Authorized — 500,000 shares of \$10 each	
—Issued and fully paid—	
180,000 shares	\$1,800,000
—Issued and 10% paid—50,000 shares	50,000

\$1,800,000
50,000

Reserves: General	50,000
Mortgages	23,750
Surplus	33,314

\$1,850,000
50,000
10,000
103,173

AGENCIES	

1,957,064	\$2,013,173
\$7,596,392	\$5,139,141
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\$ 589,229	—
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\$8,185,621	\$5,139,141

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Fidelity Mortgage and Savings Corporation as at December 31, 1965 and the statement of revenue, expenditure and surplus for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of revenue, expenditure and surplus are properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1965, and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Hamilton, January 27th, 1966.



REVENUE, EXPENDITURE AND SURPLUS

for the year ended December 31, 1965

REVENUE:

	1965	1964
Interest—Mortgages	\$372,792	\$140,781
—Other investments	27,257	26,501
Other operating revenue	7,437	9,819
Net gain on sales of mortgages and bonds	660	—
	<hr/> \$408,146	<hr/> \$177,101

EXPENDITURE:

Interest on borrowed money	\$183,141	\$ 33,225
Salaries, pension fund payments and other staff benefits	123,160	44,862
All other operating expenses including commissions, advertising, printing, stationery and rent	118,994	80,578
Depreciation and amortization	8,960	3,124
	<hr/> \$434,255	<hr/> \$161,789
NET PROFIT (LOSS) for the year	(\$26,109)	\$ 15,312

ADD:

Premium on sale of capital stock	—	100,000
Surplus brought forward from previous year	103,173	77,798
	<hr/> \$ 77,064	<hr/> \$193,110

DEDUCT:

Transfer to mortgage reserve	\$ 13,750	\$ 10,000
Organization expense	—	6,935
Expenses in connection with the issue of capital stock during the year	—	15,502
Transfer to general reserve	—	50,000
Special expenses related to opening of two branches (1964 one branch)	30,000	7,500
	<hr/> \$ 43,750	<hr/> \$ 89,937
SURPLUS at end of year	<hr/> \$33,314	<hr/> \$103,173

SERVICE AND FACILITIES



SAVINGS ACCOUNTS

Interest paid at 4 1/4% on your minimum quarterly balance and credited to your account each April 30th and October 31st.

CHEQUING ACCOUNTS

Interest paid at 3 1/2% on your minimum monthly balance and credited to your account each April 30th and October 31st. Chequing privileges are allowed on your account.

DEPOSIT-BY-MAIL FACILITIES

These facilities are available to all our depositors and can be used as a time saving convenience. Postage is paid by the Company both ways.

DEPOSIT RECEIPTS

Interest paid at rates up to 5 3/8% per annum on fixed term deposits for periods up to 364 days. Minimum amount \$1,000.

DEBENTURES

Interest paid at rates up to 6 1/8% per annum on terms from 1 to 5 years. Minimum amount \$100. Interest is paid half-yearly or may be compounded and paid at maturity. Debentures may be cashed at par in the event of the death of the holder, at the option of his estate.

TRUSTEE INVESTMENTS

Deposit Receipts and Debentures are authorized Trustee investments. Trustees may open trust savings or trust chequing accounts with the Company for surplus funds.

SAFETY DEPOSIT BOXES

These are available to our customers at reasonable rates and may be used for the safekeeping of securities, valuable documents or personal articles.

TRAVELLERS CHEQUES

Are available in both Canadian and U.S. dollars for the convenience of our customers who travel on vacation or business.

FIRST MORTGAGE LOANS

First mortgage loans are readily available at attractive rates to assist in the purchase of your new home or for building, remodelling, refinancing or consolidation of outstanding debts.

REAL ESTATE APPRAISALS

Our qualified appraisal staff is available to appraise your property for all purposes.

PROPERTY MANAGEMENT

Our management staff is available to manage your revenue producing properties.

AGENCY ACCOUNTS

This is a service designed to assist in the care and management of your investments. This service is particularly helpful to individuals and organizations who lack time or experience and who prefer to be relieved of the details of supervision of their investments.

Fidelity was Incorporated by Special Act of the Parliament of Canada, is licensed by the Minister of Finance of Canada and is under Federal supervision.



OFFICERS AND DIRECTORS

OFFICERS

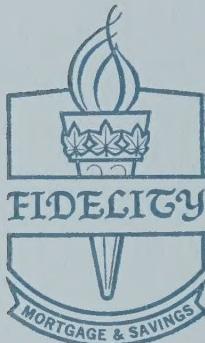
President	-	-	-	-	-	-	-	SAM FOSTER ROSS, Q.C.
Vice-President	-	-	-	-	-	-	-	WILLIAM VANALEN HOLTON
Vice-President	-	-	-	-	-	-	-	GORDON EDWARD GRUNDY, F.C.A.
Treasurer	-	-	-	-	-	-	-	FRANK WILTON BAILIE
Secretary	-	-	-	-	-	-	-	HUGH STRATHEARN HENDRIE
Mortgage Manager	-	-	-	-	-	-	-	FRED SMYTH PAUL
Supervisor of Savings	-	-	-	-	-	-	-	JAMES NEIL WALTON
Comptroller	-	-	-	-	-	-	-	JEFFERSON CHAPLEAU, C.A.
Assistant Secretary	-	-	-	-	-	-	-	JOHN CHARLES SAVCHUK

DIRECTORS

*FRANK WILTON BAILIE	-	-	-	-	-	-	-	Oakville
	<i>Vice-President, Centre Volkswagen Limited</i>							
W. ALLAN CAMPBELL, Q.C.	-	-	-	-	-	-	-	Oakville
	<i>President, Wallace Barnes Co. Limited</i>							
*GEORGE RICHARD CHATER	-	-	-	-	-	-	-	Campbellville
	<i>President, Grafton's Limited</i>							
*GORDON EDWARD GRUNDY, F.C.A.	-	-	-	-	-	-	-	Ancaster
	<i>President, Studebaker of Canada, Limited</i>							
HUGH STRATHEARN HENDRIE	-	-	-	-	-	-	-	Burlington
	<i>Mortgage Manager, Fidelity Management Limited</i>							
*WILLIAM VANALEN HOLTON	-	-	-	-	-	-	-	Burlington
	<i>President, Glendale Spinning Mills Limited</i>							
JAMES ROBERT ALEXANDER LANGS	-	-	-	-	-	-	-	Hamilton
	<i>President, Langs Foods Limited</i>							
JOHN HYSLOP LUXTON	-	-	-	-	-	-	-	Kitchener
	<i>Investment Counsel</i>							
MURRAY PROCTOR	-	-	-	-	-	-	-	Hamilton
	<i>President, Service Steel and Engineering Limited</i>							
*SAM FOSTER ROSS, Q.C.	-	-	-	-	-	-	-	Dundas
	<i>Partner, Ross & Robinson</i>							
JOHN CAMERON TAIT	-	-	-	-	-	-	-	Burlington
	<i>Chairman, North America Business Equipment Limited</i>							
* Member of Executive Committee								

AUDITORS - - - - - McDonald, Currie & Co.

BANKERS - - - - - Canadian Imperial Bank of Commerce



Federally Incorporated and Supervised

HEAD OFFICE

39 James Street South, Hamilton, Canada

OFFICES

HAMILTON:

EXECUTIVE OFFICES	-	-	-	-	2nd Floor, 42 James Street S.
UNDERMOUNT BRANCH	-	-	-	-	143 James Street South
BRANTFORD	-	-	-	-	28 Market Street
BURLINGTON	-	-	-	-	502 Brant Street